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## *Senate*

### **BANKRUPTCY REFORM**

Mr. CARPER. Mr. President, I want to take a few minutes to talk about bankruptcy reform legislation.

Much has been said about the bill that is before us. Let me say a few things as well.

Two years ago, roughly 83 Senators voted in favor of an overhaul of our Nation's bankruptcy laws. As you may know, under current law, people who do not have the ability to pay their debts can go into chapter 7 and their debts are largely forgiven. They may have to turn over some of their assets. That is chapter 7. If the court of bankruptcy believes a family has the ability to repay some of their debts, they go into chapter 13, if a payment schedule is worked out.

Concerns have been raised, justifiably, over the last decade or more that some people who have the ability to repay don't; they simply run up their debts and walk away from those obligations, and, frankly, leave the rest of us having to pay more interest on the consumer debt we acquire and to pay more for the goods and services we buy.

Bankruptcy laws exist for a good purpose. People do have disasters that come into their lives; marriages end, serious health problems occur, and people lose jobs. For those reasons, we have bankruptcy laws. Most people who file for bankruptcy are not trying to defraud anybody. They have a

genuine emergency, or a huge problem in their life, and they need the protection of the bankruptcy court. That is why we have those laws.

There is a principle, whether you are for this bill or not, that I think we can all agree on. That principle is simply this: If a person or a family has the ability to repay a portion or all of their debts, if they have that financial wherewithal, they should repay a portion or all of their debts. If a family doesn't have that wherewithal to pay or begin repaying their debt, they should be accorded protection of the bankruptcy court. That is it; it is that simple.

The legislation we have before us is an effort to try to codify that principle, and to improve on the system today where too many people, frankly, have abused that system.

Much has been said about credit card banks and putting credit cards in the hands of people, encouraging them to use them. I have heard from my credit card banks. They would like to see this legislation adopted. I have heard more from my credit unions in Delaware than I have from the credit card banks, saying there is a problem and it is one that we need to address.

I want to consider for a moment what will happen, or continue to happen, if we don't enact this legislation.

No. 1, some people who ought to be repaying a portion of their debts do not.

No. 2, the folks who ought to be receiving childcare from parents who are not anxious to meet that obligation will not receive that childcare payment. Their biological parent will file for bankruptcy in an effort to avoid making that childcare payment, or to make an alimony payment. In fact, the way the current law is structured, when somebody is in a position to start paying their responsibilities or obligations, legal fees come ahead of childcare and come ahead of alimony. That is wrong.

Today, under current law, a wealthy individual in a State such as Florida or Texas can go out, if they are a millionaire, and take those millions of dollars and invest that money in real estate, a huge house, property, and land in the State, file for bankruptcy, and basically protect all of their assets which they own because of a provision in Florida and Texas law. Homestead exemptions exist in other States as well. People can put money in trusts today and tomorrow file for bankruptcy and know that all the millions of dollars they put in those trusts can be protected from bankruptcy. That is wrong.

With the legislation we have before us, someone has to figure out that 2 1/2 years ahead of time people are going to want to file for bankruptcy and be smart enough to put the money into a home, or an estate, or into a trust--not something you can do today--and file for bankruptcy tomorrow; or this year and file for bankruptcy next year or the next 2 or 3 years, or 3 1/2 years. It is a much better approach. I, frankly, would like to see a cap on the homestead exemption. I voted for one yesterday. It didn't prevail. It should have.

What is in this current bill is a heck of a lot better than it is in the law that exists today. Here is how this bill would work. For people whose median family income is under 100 percent of median family income, those families for the most part will be able to file for bankruptcy and go into chapter 7 bankruptcy without a whole lot of fuss.

What is median family income? In my State, it is about \$72,000. Nationally, median family income is about \$65,000 for a family of four. It varies from there. It can be as low as \$48,000 or \$49,000 for a family of four in Mississippi, up to \$80,000 in States such as Connecticut and others. But it is a range from the high forties to the low eighties for median family income.

For folks whose income is below 100 percent of median family income, they go into chapter 7 pretty much without a lot of dispute. However, for those families whose income is above median income, above \$72,000, they would have to go through a means test. That is not a bad thing to do.